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Chantrey Vellacott DFK LLP

**CHEVAL SPECIALIST BRIDGING
LIMITED**

**Financial Statements
30 June 2005**



CHEVAL SPECIALIST BRIDGING LIMITED

Financial statements for the period ended 30 June 2005

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CHEVAL SPECIALIST BRIDGING LIMITED

Company information

Directors

A S Margolis
N C Epstein
B S Hersch
A Kay
P Rumbold
J H Margolis
M Chesler

Secretary

A S Margolis

Registered office

2nd Floor Stanmore House
15-19 Church Road
Stanmore
Middlesex
HA7 4AR

Registered number

4372089

Auditors

Chantrey Vellacott DFK LLP
Gresham House
53 Clarendon Road
Watford
Herts
WD17 1LR

Bankers

National Westminster Bank plc
9 The Broadway
Stanmore
Middlesex
HA7 4XW

CHEVAL SPECIALIST BRIDGING LIMITED

Directors' report for the period ended 30 June 2005

The directors present their report and the financial statements of the company for the period ended 30 June 2005.

Review of the business

The principal activity during the period was the granting of short term loans secured by legal charges held over land and buildings. The company commenced trade on 24 February 2005.

The directors anticipate that the turnover and profits of the company should grow in the coming year.

During the year the company became authorised with the Financial Services Authority, with regard to regulated mortgage contract business.

As previously, the outlook for both UK property and the economy as a whole remains uncertain. The company should benefit from the anticipated growth of the Cheval group, of which it is a member.

Results and dividends

The results for the period ended 30 June 2005 are shown in the profit and loss account on page 5. The profit for the period after taxation was £14,401.

Directors

The directors who served during the period were:

A S Margolis	
S Cohen	(Resigned 13 April 2005)
N C Epstein	
B S Hersch	
A Kay	
P Rumbold	(Appointed 8 June 2005)
J H Margolis	
M Chesler	(Appointed 22 November 2004)

Directors' interests in shares

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 June 2005	1 July 2004
A S Margolis	-	-
N C Epstein	-	-
B S Hersch	-	-
A Kay	-	-
P Rumbold	-	-
J H Margolis	-	-
M Chesler	-	-

The directors' interests in the shares of the parent company are shown in those accounts.

CHEVAL SPECIALIST BRIDGING LIMITED

Directors' report for the period ended 30 June 2005 (continued)

Creditor payment policy

It is the company's policy to settle its invoices within 30 days of receipt. At 30 June 2005 there were no trade creditors as defined by the Companies Act and therefore no calculation of the creditor payment period is necessary.

Auditors

Chantrey Vellacott DFK LLP were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution to reappoint Chantrey Vellacott DFK LLP will be proposed at the forthcoming Annual General Meeting.

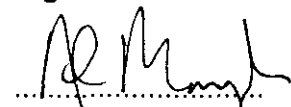
Directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of its financial period and of the profit or loss of the company for the period then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board



A S MARGOLIS

Director

Approved by the Board on 15.11.05

Chantrey Vellacott DFK LLP

CHEVAL SPECIALIST BRIDGING LIMITED

Independent auditors' report to the shareholders of Cheval Specialist Bridging Limited

We have audited the financial statements of Cheval Specialist Bridging Limited for the period ended 30 June 2005 which are set out on pages 5 to 12. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chantrey Vellacott DFK LLP

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors

WATFORD

17.11.2005

CHEVAL SPECIALIST BRIDGING LIMITED

Profit and loss account for the period ended 30 June 2005

	Notes	5 Months ended 30 June 2005 £	30 June 2004 £
Turnover	2	44,566	-
Cost of sales		<u>20,576</u>	-
Gross profit		23,990	-
Administrative expenses		<u>4,329</u>	-
Operating profit		19,661	-
Interest receivable and similar income	3	<u>912</u>	-
Profit on ordinary activities before taxation	4	20,573	-
Tax on profit on ordinary activities	6	<u>6,172</u>	-
Profit for the period	10	14,401	-

The company commenced trading during the current financial period.

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results shown above and their historical cost equivalents.

The notes on pages 8 to 12 form part of these financial statements.

CHEVAL SPECIALIST BRIDGING LIMITED

Balance sheet at 30 June 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	7	1,536,551	100
Cash at bank and in hand		100,598	-
		<u>1,637,149</u>	<u>100</u>
Creditors: amounts falling due within one year	8	(1,622,648)	-
Total assets less current liabilities		<u>14,501</u>	<u>100</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account	10	14,401	-
Shareholders' funds	11	<u>14,501</u>	<u>100</u>

Approved by the Board on 15/11/05 and signed on its behalf.



B S HERSCH - Director

The notes on pages 8 to 12 form part of these financial statements.

CHEVAL SPECIALIST BRIDGING LIMITED

Cash flow statement for the period 30 June 2005

	Notes	5 Months ended 30 June 2005 £	30 June 2004 £
Net cash outflow from operating activities	12a	(916,519)	-
Returns on investments and servicing of finance			
Interest received		912	-
Net cash inflow/(outflow) from returns on investments and servicing of finance		912	-
Taxation		-	-
Net cash outflow before management of liquid resources and financing		(915,607)	-
Financing			
Other new short term loans		1,012,470	-
Net cash inflow/(outflow) from financing		1,012,470	-
Increase/(decrease) in cash in the period	12b,c	96,863	-

The notes on pages 8 to 12 form part of these financial statements.

CHEVAL SPECIALIST BRIDGING LIMITED

Notes to the financial statements for the period ended 30 June 2005

1 Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

2 Turnover

Turnover represents interest received and receivable from loans advanced.

Cost of sales represents interest paid and payable on funders loans together with direct costs.

3 Interest receivable and similar income

5 Months	2004
2005	
£	£

Bank interest	912	-
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4 Profit on ordinary activities before taxation

5 Months	2004
2005	
£	£

This is stated after charging:

Auditors' remuneration:

In respect of audit services	1,175	-
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5 Employee information

There were no employees during the period apart from the directors.

6 Taxation

5 Months	2004
2005	
£	£

Domestic current year tax

U.K. corporation tax	6,172	-
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Current tax charge	6,172	-
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Factors affecting the tax charge for the period

Profit on ordinary activities before taxation	20,573	-
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Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004- 0.00%)

	6,172	-
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CHEVAL SPECIALIST BRIDGING LIMITED

Notes to the financial statements for the period ended 30 June 2005 (continued)

7 Debtors	2005 £	2004 £
Due from borrowers	1,471,321	-
Called up share capital not paid	100	100
Prepayments and accrued income	65,130	-
	<u>1,536,551</u>	<u>100</u>

The amount due from borrowers is secured by legal charges held over land and buildings.

8 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loan	1,012,470	-
Bank overdraft	3,735	-
Amounts owed to parent company	599,096	-
Corporation tax	6,172	-
Accruals and deferred income	1,175	-
	<u>1,622,648</u>	<u>-</u>
Debt due in one year or less	<u>1,012,470</u>	<u>-</u>

The bank loan and overdraft is secured by a sub mortgage over individual mortgages given to the company. It is repayable on demand and interest is charged at 2% above the bank base rate. The loan has a guarantee of £2,000,000 from the parent company. The bank also holds a fixed and floating charge over the assets of the company.

The loan from the parent company is repayable on demand, subject to an agreed deed of priority with National Westminster Bank plc.

9 Called up share capital	2005 £	2004 £
Authorised		
Equity shares:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called up		
Equity shares:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

CHEVAL SPECIALIST BRIDGING LIMITED

Notes to the financial statements for the period ended 30 June 2005 (continued)

10 Reserves

Profit and
loss
account
£

Profit retained for the period, being balance at 30 June 2005

14,401

11 Reconciliation of movement on shareholders' funds

2005
£

2004
£

Profit for the financial period

14,401

-

Opening shareholders' funds

100

100

Closing shareholders' funds

14,501

100

Shareholders' funds are fully attributable to equity interests.

CHEVAL SPECIALIST BRIDGING LIMITED

Notes to the financial statements for the period ended 30 June 2005 (continued)

12 Notes to the cash flow statement

a) Reconciliation of operating profit to net cash outflow from operating activities	2005	2004
	£	£
Operating profit	19,661	-
Increase in debtors	(1,536,451)	-
Increase in creditors within one year	600,271	-
Net cash outflow from operating activities	(916,519)	-

b) Analysis of changes in net debt	1 July 2004	Cash flow	30 June 2005
	£	£	£
Net cash:			
Cash at bank and in hand	-	100,598	100,598
Bank overdraft	-	(3,735)	(3,735)
	-	96,863	96,863
Debt:			
Debt falling due within one year	-	(1,012,470)	(1,012,470)
Net debt	-	(915,607)	(915,607)

c) Reconciliation of net cash flow to movement in net debt	2005	2004
	£	£
Increase in cash in the period	96,863	-
Cash inflow from increase in debt	(1,012,470)	-
Change in net debt resulting from cash flows	(915,607)	-
Opening net debt	-	-
Closing net debt	(915,607)	-

CHEVAL SPECIALIST BRIDGING LIMITED

Notes to the financial statements for the period ended 30 June 2005 (continued)

13 Control

The parent company is Cheval Property Finance plc, which is registered in the United Kingdom. The ultimate controlling parent company is Cheval Group Holdings Limited, which is incorporated in the British Virgin Islands.

A copy of the group accounts may be obtained from the parent company at the registered office address on page 1.

The ultimate controlling party is Mr Norman Epstein, a director of the company.

14 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties.